



# NEWS

*U.S. Representative C.L. "Butch" Otter  
First District - Idaho*

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## **OTTER UNVEILS TOP 10 TAX CHANGES**

*Tips Can Save Taxpayers Hundreds of Dollars This Year*

WASHINGTON, D.C. – As tax season nears and families begin preparing to file their tax returns, Congressman C.L. "Butch" Otter released his "Top 10" list of tax changes for 2004.

"Dozens of new tax changes that took effect on the first day of the year will reap families and individuals hundreds of dollars a year in tax savings," Otter said. "As Americans begin to prepare their tax returns this year, they should take advantage of these changes in the law to save extra money. These improvements will give families extra help in making ends meet, make our businesses more competitive and our economy stronger."

### **Congressman Otter's "Top 10" Tax Changes**

- 1. Reduction of Individual Tax Rates:** Marginal tax rates above 15% have been reduced across-the-board by two points to 25%, 28%, 33%. The top rate is reduced to 35%, a drop of 3.6 percentage points.
- 2. Marriage Penalty Tax Relief:** The standard deduction for joint filers and qualified widows has been increased by \$1,650 to \$9,500 - twice that of a single filer or a married person filing separately.
- 3. Increase in the Child Tax Credit:** The Child Tax Credit has been raised to \$1,000 per child, an increase of \$400. Most taxpayers using the credit received an advance payment of this increase during 2003 and must subtract that advance when figuring their 2003 credit amount.
- 4. Increase in 401(k), 403(b) and 457 Plan Contribution Limits:** The limit on the amount that an individual can contribute on a salary reduction basis to a 401(k), 403(b) and 457 plan has been increased from \$11,000 to \$12,000.
- 5. Long-Term Capital Gains Rate Reduction:** The top tax rate for net capital gains on sales and other qualified dispositions after May 5, 2003, has been reduced from 20% to 15% and from 10% to 5% for low-income earners.
- 6. Reduction in Tax Rate on Dividends:** Dividends paid after 2002 will now be taxed at the 15% or 5% rate (based on the individual's income) instead of the individual's marginal tax rate.
- 7. Increase in Health Insurance Deductions for Self-Employed Persons:** The deduction for health insurance premiums for self-employed persons has increased from 70% of the cost of the policy to 100%. The deduction can be taken each month up to the amount of their earned income from the business under which the insurance plan was established.
- 8. Increase in the Learning Lifetime Credit:** Up to \$10,000 of qualified tuition and higher education expenses may be used to calculate the Lifetime Learning Credit, doubling the maximum lifetime credit amount to \$2,000. The credit amount is now equal to 20 percent of the taxpayer's first \$10,000 of out-of-pocket qualified tuition and related expenses.

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- 9. Increase in the Child and Dependent Care Credit:** Up to \$3,000 of expenses (or \$6,000 for two or more qualifying persons) may be used to calculate the Child and Dependent Care Credit. Based on a family's adjusted gross income and one dependent, the credit can be as much as \$1,050 or as low as \$600. The credit is available to people who, in order to work or to look for work, have to pay for child care services for dependents under age 13. The credit is also available if you paid for care of a spouse or a dependent of any age who is physically or mentally incapable of self-care.
- 10. Increase in the Adoption Credit:** The maximum Adoption Credit has been increased to \$10,160 and the beginning of the phase out range is now \$152,390 of modified adjusted gross income. The maximum credit applies to expenses related to the adoption, including court fees and attorney fees.